

STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER, SUITE 860
120 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102

In The Matter Of:

Paystar Communications Inc.

and

Jeff McKay

and

U.S. Cash Exchange, Inc.

Respondents.

ODS File 00-138

AFFIDAVIT OF COMPLIANCE

STATE OF OKLAHOMA)
) SS.
COUNTY OF OKLAHOMA)

The undersigned affiant, of lawful age, being first duly sworn upon oath deposes and states:

1. That he is the Administrator of the Oklahoma Department of Securities (Department).

2. A copy of the Notice of Opportunity for Hearing (Notice) with the Recommendation to the Administrator to Issue Order to Cease and Desist And Imposing Civil Penalty (Recommendation) attached was delivered to Affiant in the office of the Administrator pursuant to Section 413 of the Oklahoma Securities Act (Act), Okla. Stat. tit. 71, §§ 1-413, 501, 701-703 (1991 & Supp. 1999).

That a copy of the Notice with the Recommendation attached is being sent this 5th day of April, 2000, by certified mail, return receipt requested, delivery restricted to addressee, to the last known address of Paystar Communications,

(Paystar), U.S. Cash Exchange, Inc. (U.S. Cash) and Jeff McKay (McKay), in compliance with Section 413 of the Act.

4. This Affidavit of Compliance shall serve as notice to Paystar, U.S. Cash and McKay that service of process has been effected on the Administrator pursuant to Section 413 of the Act.

5. This Affidavit of Compliance is declared filed of record as of the date set forth below in compliance with Section 413 of the Act.

FURTHER AFFIANT SAYETH NOT.

Dated this 5th day of April, 2000.

(SEAL)

Irving L. Faught
Irving L. Faught
Administrator

Subscribed and sworn to before me this 5th day of April, 2000.

(NOTARY SEAL)

Brenda S. London
Notary Public

My Commission Expires:

August 26, 2001

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NOTICE OF OPPORTUNITY FOR HEARING

1. The Administrator ("Administrator") of the Oklahoma Department of Securities ("Department") pursuant to his authority under Section 405 of the Oklahoma Securities Act ("Act"), Okla. Stat. tit. 71 §§ 1-413, 501, 701-703 (1991 and Supp. 1999), authorized an investigation into the activities of Paystar Communications, Inc., U.S. Cash Exchange, Inc., and Jeff McKay (hereinafter collectively referred to as "Respondents") in connection with the offer and/or sale of securities in the state of Oklahoma.

2. On the 5th day of April, 2000, the attached Recommendation to the Administrator to Issue Order to Cease and Desist and Imposing Civil Penalty ("Recommendation") was left in the office of the Administrator.

3. Pursuant to Section 406(b) of the Act, the Administrator hereby gives notice to Respondents of their right to request a hearing to show why an order based on the attached Recommendation should not be issued.

4. The request for a hearing on the Recommendation must be received by the Administrator within fifteen (15) days after receipt of this Notice.

5. Pursuant to 660:2-9-1 of the Rules of the Oklahoma Securities Commission and the Administrator of the Department of Securities ("Rules"), the request for hearing should be in writing and specify the grounds upon which relief is sought.

6. Pursuant to 660:2-9-2 of the Rules, upon receipt of a written request, a hearing on this Notice shall be set within sixty (60) days or a written order denying hearing shall be issued.

7. Notice of the date, time and location of the hearing shall be given to Respondents not less than ten (10) days in advance thereof pursuant to 660:2-9-3(a) of the Rules. Additionally, the notice may contain matters to supplement this Notice and Recommendation attached hereto.

8. Pursuant to Section 406(b) of the Act, failure to request a hearing as provided for herein shall result in the issuance of a final order to cease and desist and may result in the imposition of a civil penalty of Five Thousand Dollars (\$5,000.00) against each Respondent based upon the Recommendation attached hereto.

Witness my Hand and the Official Seal of the Oklahoma Department of Securities
this 5th day of April, 2000.

(SEAL)



IRVING L. FAUGHT, ADMINISTRATOR OF THE
OKLAHOMA DEPARTMENT OF SECURITIES

CERTIFICATE OF MAILING

The undersigned hereby certifies that on the 5th day of April, 2000, a true and correct copy of the above and foregoing Notice of Opportunity for Hearing with the Recommendation to the Administrator to Issue Order to Cease and Desist and Imposing Civil Penalty attached was mailed by certified mail, return receipt requested, delivery restricted, with postage prepaid thereon addressed to:

Paystar Communications Inc.
1110 Kettleman Lane Suite 46
Lodi, CA 95242

and

Jeff McKay
2400 Mauna Kea Drive
Ceres, CA 95397

And

U.S. Cash Exchange, Inc.
3001 Coffee Road Suite 3
Modesto, CA 95350

Brenda J. London

**STATE OF OKLAHOMA
DEPARTMENT OF SECURITIES
THE FIRST NATIONAL CENTER, SUITE 860
120 NORTH ROBINSON
OKLAHOMA CITY, OKLAHOMA 73102**

In The Matter Of:

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and

Jeff McKay

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**RECOMMENDATION TO THE ADMINISTRATOR
TO ISSUE ORDER TO CEASE AND DESIST
AND IMPOSING CIVIL PENALTY**

The Enforcement Division of the Oklahoma Department of Securities ("Department"), pursuant to the Oklahoma Securities Act ("Act"), Okla. Stat. tit. 71 §§ 1-413, 501, 701-703 (1991 and Supp. 1999), submits the following Findings of Fact, Authorities and Conclusions of Law to the Administrator, or his designee, in support of the issuance of a final order to cease and desist and imposing a civil penalty.

Findings of Fact

1. At all times material hereto, U.S. Cash Exchange, Inc. ("U.S. Cash") is described in sales literature and contracts as a privately held corporation with offices in Modesto, California, that specializes in the distribution of QuickCash automated teller machines ("QuickCash ATMs").

2. According to press releases issued by Paystar Communications, Inc., ("Paystar"), Paystar owns and operates U.S. Cash after purchasing U.S. Cash in late 1999.

3. At all times material hereto, Jeff McKay ("McKay") is described as the president of U.S. Cash and Paystar.

4. On or about November, 1999, American Financial Associates, a business located in Oklahoma City, Oklahoma, ran advertisements in the *Daily Oklahoman* offering a twelve percent (12%) guaranteed return on an unidentified investment.

5. The advertised investment opportunity involves the purchase and subsequent leasing of QuickCash ATM equipment. An investor is offered the opportunity to purchase ATM cash machines from U.S. Cash for four thousand dollars (\$4,000.00) per machine and then lease that same equipment back to U.S. Cash. U.S. Cash places, operates and maintains the ATM machine and pays the investor forty dollars (\$40.00) a month to lease the machine from the investor.

6. An investor is offered a list of companies that are in the business of leasing ATM machines such as the ones offered for purchase by American Financial Associates. However, none of the companies listed as leasing options, other than U.S. Cash, actually perform the leasing function described in the sales presentation. The leasing contract with U.S. Cash ("ATM Leasing Agreement") is the only one made available to a person interested in purchasing the ATM equipment.

7. Although an investor is presented with the option to simply purchase the ATM equipment, the only way an investor can make a guaranteed twelve percent (12%) return is to enter into the ATM Leasing Agreement for a term of sixty (60) months.

8. To invest in the ATM Leasing Agreement, an investor executes a "Rental Agreement" and makes a cash payment commensurate with the number of machines an investor wishes to own and lease. In return, an investor receives forty dollars (\$40.00) a month in lease payments for each machine purchased.

9. After the execution of the "Rental Agreement", no further efforts are required of an investor to earn the twelve percent (12%) guaranteed return. All managerial efforts ensuring a profit is made by an investor are performed by the Respondents as part of the ATM Leasing Agreement.

10. The ATM Leasing Agreements are not registered pursuant to the Act.

Authorities

1. Section 2 of the Act provides in pertinent part:

* * *

(v) "Security" means any:

* * *

(11) investment contract[.]

2. Section 301 of the Act provides:

It is unlawful for any person to offer or sell any security in this state unless:

- (1) it is registered under this act or the security or transaction is exempted under Section 401 of this title; or
- (2) it is a federal covered security.

3. Section 405 of the Act provides in part:

(a) The Administrator in his discretion:

- (1) may make such public or private investigations within or outside of this state as he deems necessary to determine whether any person has violated or is about to violate any provision of this act or any rule or order hereunder, or to aid in the enforcement of this act or in the prescribing of rules and forms hereunder[.]

4. Section 406 of the Act provides in part:

(a) If the Administrator reasonably believes, whether or not based upon an investigation conducted under Section 405 of this title, that a person has violated the Oklahoma Securities Act, except under the provisions of Section 202.1 or 305.2 of this title, or a rule or order of the Administrator under the Oklahoma Securities Act or has engaged in dishonest or unethical practices in the securities business, the Administrator, in addition to any specific power granted by any other section of the Oklahoma Securities Act, may impose one or more of the following sanctions:

- (1) issue an order against the person to cease and desist from engaging in such violation or dishonest or unethical practices or doing any act in furtherance thereof;

* * *

- (5) issue an order against a person who willfully violates the Oklahoma Securities Act or a rule or order of the Administrator under the Oklahoma Securities Act, imposing a civil penalty up to a maximum of Five Thousand Dollars (\$5,000.00) for a single violation or transaction or of Fifty Thousand Dollars (\$50,000.00) for multiple violations or transactions in a single proceeding or a series of related proceedings[.]

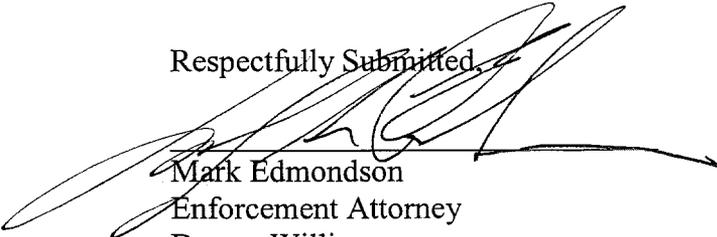
Conclusions of Law

1. The ATM Leasing Agreements are securities as defined by Section 2(v) of the Act.
2. Respondents violated Section 301 of the Act by offering and/or selling securities in this state that were not registered under the Act.
3. The Administrator of the Department has the authority, under Section 406(a)(1) of the Act, to order Respondents to cease and desist from engaging in any violation of the Act or doing any act in furtherance thereof.
4. The Administrator of the Department has the authority, under Section 406(a)(5) of the Act, to impose a civil penalty against Respondents for violations of the Act.
5. It is in the public interest to order Respondents to cease and desist from violations of Section 301 of the Act and to impose a civil penalty.

WHEREFORE, it is recommended that the Administrator issue a final order to cease and desist and impose a civil penalty in the amount of Five Thousand Dollars (\$5,000.00) against each Respondent.

Dated this 5th day of April, 2000.

Respectfully Submitted,



Mark Edmondson
Enforcement Attorney
Darren Williams
Enforcement Attorney
Oklahoma Department of Securities
120 North Robinson, Suite 860
Oklahoma City, OK 73102
(405)280-7700